STEWARDSHIP PARTNERS MARKET COMMENTARY

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Equities Move from False Fears to Hyped Hope

"…but those who hope in the Lord will renew their strength" Isaiah 40:31 (NIV)

As the third quarter began, the dominant theme impacting the financial markets was fear the economy was about to slide into a double-dip recession. This newest anxiety quickly followed the previously misplaced concern over the purported demise of the Euro and a worldwide contagion stemming from Greece's debt woes. It seemed traders were frantically searching for some cataclysmic issue that would undermine the global economy and financial markets. As we moved through an amazingly strong series of corporate earnings reports in July, however, it became apparent that these fears were false and the sky was not actually falling. Equities rallied sharply in July, only to fall again in August as the Fed failed to offer the markets the desired extra stimulus, known as Quantitative Easing (QE). At this point, it was becoming clear the economy, while not stumbling into a double dip recession, was also not powering ahead into a self-sustaining, accelerating economic recovery. The risk the economy could slip off what we have referred to in the past as the "Pathway to Prosperity", however, was clearly growing. With the markets facing the historically seasonally weak August/September period just ahead, we moved to tactically insulate our portfolios from potential market declines. This initially proved to be a helpful decision as share prices retreated throughout August, undermined by economic data that proved uninspiring.

Chart 1

Gold Soars as QE II Raises Fears of Dollar Debasement

Price in $'s per Ounce

Source: Strategas

Table 1

3Q10 & YTD Returns

US Indices	3Q10	YTD
S&P 500	11.29%	3.89%
S&P 500 Citigroup Value	9.97%	4.15%
S&P 500 Citigroup Growth	12.63%	3.63%
NASDAQ* (price only)	12.30%	4.38%
S&P 400 (Mid Cap)	13.11%	11.57%
S&P 600 (Small Cap)	9.62%	8.66%
Treasury Bonds	5.22%	20.22%
High Grade Corp. Bonds	5.52%	16.46%
Gold	5.06%	20.18%
Global & International Indices		
MSCI World	13.24%	0.92%
MSCI EAFE	15.79%	-1.25%
MSCI Euro	19.45%	-9.56%
MSCI Far East	7.05%	3.10%
MSCI Japan	4.95%	1.20%
US Economic Sectors		
Energy	12.30%	-2.48%
Materials	17.24%	1.20%
Industrials	13.65%	11.45%
Consumer Discretionary	14.72%	12.10%
Consumer Staples	9.76%	5.09%
Health Care	8.22%	-2.34%
Financials	4.06%	-0.31%
Information Technology	11.50%	-0.77%
Telecom	19.10%	6.02%
Utilities	11.11%	0.87%

Source: Merrill Lynch, MSCI, NDR, Strategas

On the first day of September, however, the S&P 500 rallied almost 3%, attaining in just this one day almost a third of the month's surprising 9.1% advance. September is historically the worst month for the market but, in 2010, it turned in the best performance since 1939! This despite continued lackluster economic developments, increasing global tension over currency exchange rates and Congress leaving town without addressing the vitally important issue of tax rates on income, dividends and capital gains in 2011. What then caused such a massive eruption in stock prices in September? Initially, we believed it was simply hedge funds adjusting their portfolios from an overly short position. As the month proceeded, however, traders became more aggressive as Fed officials, and finally the Fed itself, hinted strongly at a renewed Quantitative Easing effort. This prospective policy to buy bonds, and perhaps other securities, to prop up asset prices and lower interest rates, is being viewed by some as the "Bernanke put". Believing the hyped hope that QE would prevent share prices from falling, traders rushed to buy stocks. Some longer term investors, however, are skeptical of the benefits of QE and rushed to gold as concerns about potentially wayward economic policies grew, sending its price ever higher (Chart 1).

Stewardship Partners' portfolios were well ahead of the indices as we entered September. Unfortunately, our hedges (in our tactical portfolios) or high cash levels undermined our performance in September. Therefore, we failed to surpass the indices during the third quarter as we did not fully participate in September's unusual advance. Still, our clients saw the value of their portfolios increase nicely in the quarter. We are hopeful our relative performance shortfall will prove to be only a temporary setback as traders may soon realize the hoped-for QE may not live up to its hype.

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Is Quantitative Easing the Answer?

"Of what use is money in the hand of a fool, since he has no desire to get wisdom?" Proverbs 17:16 (NIV)

While the stock market appears to have built in grandiose expectations for the effectiveness of a second round of quantitative easing by the Fed (the first effort lasted from March 2009 until March 2010), there is hardly any certainty yet on the size and scope of what is being referred to as QE II. By not letting its assets fall as its holdings of bonds mature, the Fed actually already initiated the first phase of QE II in August. But this was a rather lame effort and was greeted as such by the markets. At its September meeting, however, the Fed indicated its dissatisfaction with the pace of the economic recovery and its concern about the threat of deflation, thereby effectively signaling additional quantitative easing efforts will be forthcoming. Fed Chairman Bernanke then gave a speech wherein he indicated a desire to implement QE more aggressively. As a result, it would be surprising if the Fed does not take some action at its November 3 meeting to utilize a QE approach as it attempts to reinvigorate the tepid recovery in the labor market (Chart 2) and offset deflationary forces present in the US economy.

Chart 2

Source: Strategas

Not all Fed officials, however, are supportive of QE II. The president's of the Kansas City, Dallas and Philadelphia Federal Reserve Banks have all stated their opposition to such plans and the Boston Fed president also seems ambivalent about the issue. While these dissenters are unlikely to prevent an expanded QE II plan from being enacted, they may act to restrain the size and scope of the plan which is eventually unveiled. If so, current market expectations of another "shock and awe" effort similar to March of 2009 will be disappointed. We have seen economists speculating on the Fed purchasing anywhere from \$300 billion to \$2 trillion in bonds as part of their plan. Most expectations seem to be in the \$1 trillion range and for the purchases to be spread out over time. We would not be surprised if traders "sold the news" of such a plan. Additionally, should the Fed opt for a lighter touch, we would anticipate traders racing each other to take profits. On the other hand, Chairman Bernanke may surprise the markets not with size but with creativity as he structures his QE II approach. Whether the structure of his plan turns out to be interpreted as a positive or negative surprise, we will have to wait to find out.

Chart 3

Source: Credit Suisse

In view of the market's astonishing advance since September, in the absence of favorable economic data or other information that would normally imply a move of such magnitude, it seems clear that traders are convinced that QE II, in whatever form it takes, provides them cover to wantonly add risky assets to their portfolios. Indeed, the stock and bond markets have moved so much on just the speculation of QE II, one wonders if the actual implementation of the Fed's plan will be able to move the markets much further. Already, the real rate on 5 year US Treasury bonds is approaching zero and the 10 Year Treasury yields approximately 1% in real terms (Chart 3). The Fed may be surprised to find an overabundance of traders looking to offload to them the bonds they purchased because they knew QE II was coming, thereby limiting the impact of the Fed's efforts. When the Fed embarked on its first attempt at QE in March 2009, it clearly had a stabilizing impact on very panicked markets. In this case, however, the circumstances are much different and it is not at all obvious that QE II will be as helpful to the markets or the economy in the long run. Various economists suggest the Fed's actions will lower already low interest rates by only 0.5% to 0.75% and add only marginally to long term economic growth. While every little bit helps, the cost of achieving this minimal benefit may ultimately prove quite high.

Part of that cost can be found in the declining value of the US dollar and the stresses this creates elsewhere in the world. Ever since the

Chart 4

Dollar Falters as Government Policies Disappoint

US Trade Weighted Dollar

Source: BCA Research

Fed began talking about renewed QE, the dollar has been weakening. While this is undoubtedly part of the Fed's plan to stimulate exports and hinder imports, and thereby stimulate economic growth, there are costs associated with this strategy. Traders are now more than happy to bet against the dollar while investing in virtually any commodity. For example, as the dollar has weakened, (Chart 4), oil prices have shot higher. Higher energy prices create inflation, hurt economic growth and lead to bigger current account and trade deficits. Moreover, both the Euro and the Yen have strengthened dramatically. This will clearly negatively impact their economies, which cannot be a positive for global economic growth. Indeed, Japan has embarked on its own quantitative easing policy already as it seeks, so far unsuccessfully, to keep its currency from appreciating further. Meanwhile, the southern periphery of Europe is also once again straining under the burden of an appreciating Euro just at the time it needs precisely the opposite to make needed economic adjustments with the least pain possible. It may be that the net effect of QE II will be far less than hoped for as feedback effects limit the effectiveness of the policy or even undermine economic growth. Moreover, the strains in the global economic system are becoming increasingly apparent via recent rapid and destabilizing currency movements. The IMF was recently asked to take on the role of an exchange rate policeman due to these growing currency tensions. We would be very surprised if the IMF would actually be able to accomplish much in this regard and view these growing strains as an indication of a rising risk of global economic policy blunders that could have serious consequences for all nations.

In the end, all the attention on QE is obscuring the real problem of extraordinarily high government deficits and debt levels. While businesses are currently very profitable and have sound balance sheets, confidence in the global economic environment is lacking due to the inability of most nations to adequately address these issues of debt and deficits. Accordingly, businesses are unwilling to invest when the future is so uncertain, no matter how low interest rate fall. But it is not just debt that is causing problems. The inability of the US Congress to clarify 2011 tax rates for individuals, investors and businesses has also heightened uncertainty. Without meaningful progress on these fronts, it may not matter how much money the Fed pours into the economy. The US, and potentially all developed nations, could find themselves in a "liquidity trap" where excess money creation has little impact on the economy. With this latest version of QE II, we are sailing into uncharted waters and we believe the chance of long term success without experiencing intermittent crises is low. We may have to stumble our way through this recovery and it may be slower than desired as well. Hopefully, truly significant crises can be avoided.

Will November Elections Make a Difference?

"…the borrower is servant to the lender" Proverbs 22:7b (NIV)

The Obama administration's approach to any problem is to resort to a government-based solution. Unfortunately, experience shows the risk of a crisis occurring usually rises the more government authorities seek to compensate for flaws in the market system by intervening. While government intrusion is sometimes necessary and helpful, such as TARP and QE in 2008 and 2009, it more often is in response to political pressures and further complicates matters. The massive fiscal stimulus in 2009 and the government's efforts to promote home ownership are examples of government intervention gone awry. The stimulus was poorly conceived and largely wasted, leaving a legacy of only additional debt on the already leveraged national balance sheet while government intervention in housing contributed significantly to the Great Recession. President Obama's health care plan is another obvious example of a colossal government interference that is likely to create more problems than it will solve. Given the state of the government's finances, this plan could not have been timed more poorly, as despite claims it will not add to the deficit, it most surely will.

Many investors are apparently holding out hope the elections on November 2 in the US will result in big changes in Washington, DC, perhaps even the reversal of the health care plan. It certainly appears Republicans will win back a majority in the House of Representatives. There is an outside chance they will also manage to win a majority in the Senate, but it would take a tidal wave of voter anger to turn out that many Democratic Senators. Such a wave currently appears possible, but it may be that the Republicans have peaked too early. Democrats are busy trying to make the most controversial Tea Party candidates the face of the entire Republican party. They are also working to dig up whatever dirt they can (in some cases making things up if necessary!) on Republican candidates to change the subject away from the high unemployment and massive deficits that are crippling them. In the end, however, the Democrats will almost certainly suffer major losses. Table 2 highlights the outcome in past elections based on the approval rating of the president prior to the election. As can be seen, it is usually hard to make big gains in Senate seats. Obama's approval rating is in the range of Bill Clinton's but it appears to us that voter anger at his administration is even greater than what was seen in 1994. Voters were upset that Clinton had moved so far to the left after being elected and tried so doggedly to push through his unpopular health care legislation. Obama has also surprised the electorate with his liberal tendencies (had they been paying attention, they would not have been surprised as he was one of the most liberal members of the Senate) and then ignored voter wishes by pushing through his own health care law using or threatening to use every legislative trick available in the process. Worse, Obama largely ignored the plight of the unemployed while tenaciously pursuing his ideological leanings. As a result, Democratic candidates are in big trouble and we may be about to witness a historical election outcome. Even so, the Republicans will have trouble regaining the Senate.

Table 2

Post-World War II First-Term, Midterm Elections

Net Losses for the President's Party

Year	President	President's Last Post-Election Job Rating	House Seats Lost	Governor Seats Lost	State Seats Lost
1954	Eisenhower	61%	-18	-8	-483
1962	Kennedy	58%	-4	0	-112
1970	Nixon	58%	-12	-12	-264
1978	Carter	49%	-15	-5	-357
1982	Reagan	42%	-26	-7	-158
1990	Bush I	58%	-8	-2	-29
1994	Clinton	46%	-52	-9	-514
2002	Bush II	63%	+8	-1	+177
Average		***54%***	***-16***	***-5.5***	***-218***
2010	Obama	44.9%	?	?	?

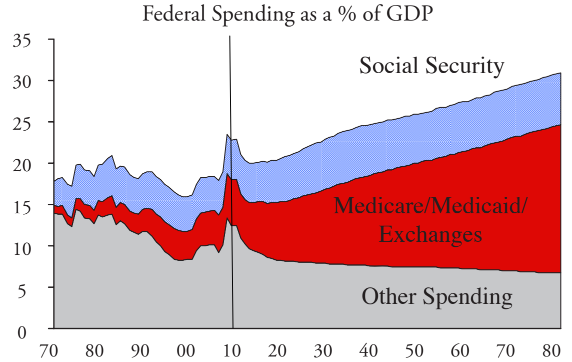
Source: Cook Political Report, Gallup Poll, Vital Stats on Congress, Realclearpolitics.com

While a historical turn towards Republicans may be exciting to witness, it is unlikely to make a huge difference in actual legislation over the next two years. Even if the Republicans do take the majority in the Senate, they will not be anywhere close to the 60 senators the Democrats enjoyed until Scott Brown was shockingly elected to fill Senator Edward Kennedy's seat earlier this year. Indeed, Obama's legislative agenda has made little progress since that time. His health care bill was only able to get through the Senate because a key vote was taken prior to Brown's election. After the new congressmen and women are seated in early 2011, the amount of political rhetoric will increase, but gridlock is likely to be the most common legislative result. Perhaps Obama will come down from his ideological perch and seek to work with Republicans to achieve worthwhile progress on key issues affecting the economy and the markets, but there is no sign of that yet. Moreover, there is no chance for the health care legislation to be overturned during this Congress. Republicans in the House will likely approve legislation to overturn it, but it will be blocked by Democrats in the Senate. Such will likely be the routine for the next two years. And if for some reason, a piece of Republican sponsored legislation made it through the Senate, Obama would likely veto it. Thus, we are faced with gridlock at a time when quick legislative action to address the debt and deficit would be optimal. Only a renewed financial crisis might bring the two parties together to address the debt and deficit in a manner investors prefer.

Chart 5

How Can These Costs be Contained?

Federal Spending as a % of GDP



Source: ISI

There is still one hope, however, that common sense might prevail leading to rapid solutions to address the deficit as well as the debt, including the staggering level of unfunded long term liabilities represented in Social Security, Medicare, Medicaid and the new health care bill (Chart 5). President Obama's Debt and Deficit Commission is set to report its recommendations on December 3. Unfortunately, political insiders suggest that the likely Republican victory at the polls will lead to little real change as Republicans will try to find a way to use their increased political leverage to implement a more conservative agenda.

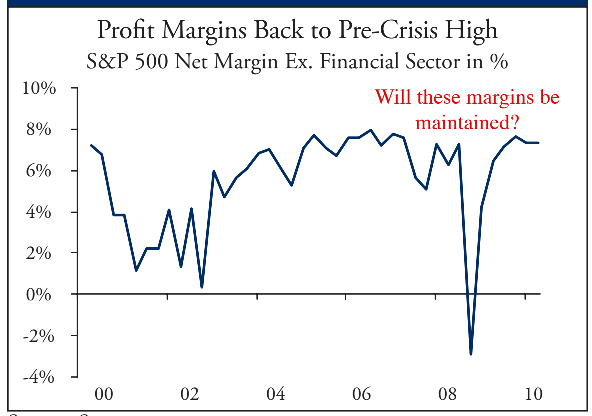
The Commission's recommendations, whatever they may end up being, are likely to be pushed aside by the urgent action the lame duck session of Congress will need to take on taxation. In the end, President Obama's desire to extend the Bush tax cuts to everyone but the rich will likely be pushed through by the lame duck session. While we are not in favor of tax increases, the deficit will be reduced by the revenue generated and the rich may recoup their losses through their investments if investors cheer the deficit reduction by pushing markets higher.

Will Companies Keep Doing So Well?

"The plans of the diligent lead to profit, as surely as haste leads to poverty" Proverbs 21:5 (NIV)

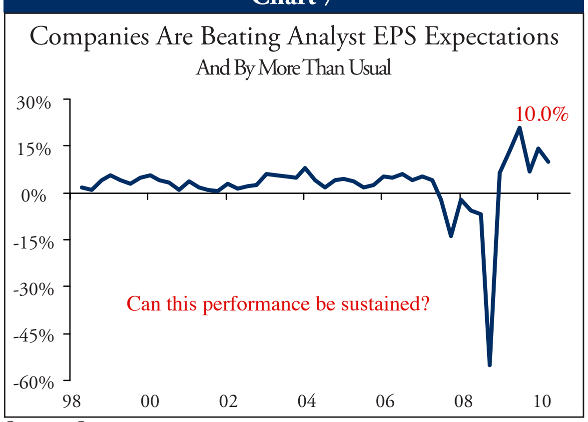
While politicians continue to raise the risk level for investors by managing the affairs of the nation rather poorly, corporations have done a very good job for their shareholders. As we have noted in a previous Quarterly Commentary, corporate balance sheets outside the financial sector were in good shape before the Great Recession and have only gotten stronger since then. Given this improved financial condition, the trend towards increased merger activity has continued and some larger companies that had previously not paid dividends, such as Cisco, have begun paying them. Other companies have increased their dividend payments. These actions reflect the need to reduce the excessive levels of cash that has built up on company balance sheets as well as concerns about the economic environment. Increased macroeconomic risks are causing executives to pause before embarking on new investment projects. Excellent cost containment has been responsible for corporations being able to maintain their strong balance sheets and to quickly restore their profit margins (Chart 6). Strong gains in worker productivity contributed to this trend and has also slowed the need to hire new employees, thereby leading to a jobless recovery. Interestingly, there are a number of former CEO's running for office this election season, highlighted by Carly Fiorina and Meg Whitman in California. If elected, which for the two Californian candidates does not seem likely at this point, we can only hope they will find a way to manage governmental finances as well as the average CEO is managing his/her company's financial affairs.

Chart 6



Source: Strategas

Chart 7

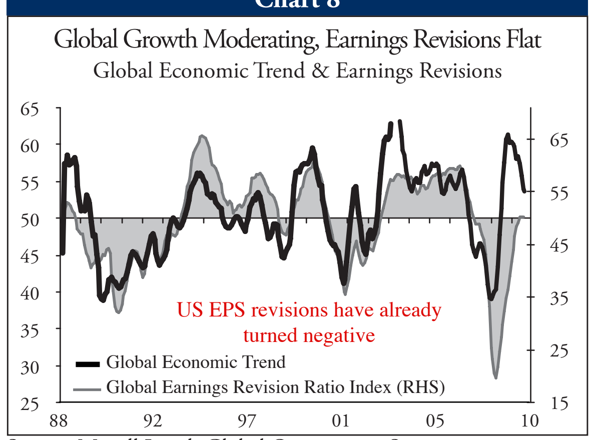


Source: Strategas

Second quarter earnings were nothing short of outstanding and greatly exceeded analyst expectations. Roughly 75% of the companies beat analysts' estimates with the average beat being well above historical experience (Chart 7). Third quarter earnings are also likely to be very strong, but the gap above analysts' expectations may narrow. These remarkable results are a testimony to the discipline demonstrated by the CEO's of corporate America, something that is sadly still lacking in the governmental sphere and now returning to the consumer sector. With both profit margins and earnings surprises now at extremely high levels, investors need to consider whether these levels can be maintained. Productivity growth slowed in the most recent quarter as companies began to gradually hire new workers. This trend, if it continues, will likely begin to weigh on future profit margins. Still, we expect the upcoming third quarter earnings reports to show only slight deterioration in profit margins. For 2011, however, it seems reasonable to expect that profit margins will begin to moderate as competition heats up and the initial benefits of the drastic cost cutting in the Great Recession begins to wane.

Indeed, earnings revisions in the US have already begun to turn lower. As the slower level of economic growth evident in recent months begins to feed through to corporate earnings, analysts are increasingly becoming more cautious in their future earnings expectations. Chart 8 highlights the moderation in global economic growth and the fact that earnings revisions globally are currently equally distributed between upward and reduced changes. While US EPS revisions have turned negative, upward revisions have been concentrated in Japan and Europe. This seems unlikely to persist and we believe earnings revisions could soon turn negative around the world. Given the strong run in share prices recently, investors will be looking for continued earnings success to support stocks. If economic growth fades, earnings, and therefore equities, almost certainly will suffer.

Chart 8



Source: Merrill Lynch Global Quantitative Strategy

WILL STOCKS KEEP DOING SO WELL?

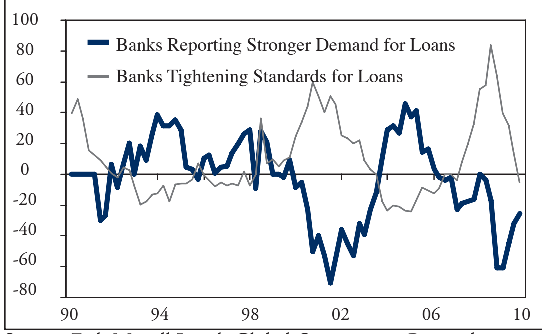
"The prudent see danger and take refuge" Proverbs 27:12 (NIV)

When we initially raised cash and instituted hedges in our tactical portfolios in early August, we believed we would end up removing the hedges and reinvesting the cash in October in preparation for the seasonally strong fourth quarter and the onset of the typically positive third year of the presidential cycle. As time passed, however, stock prices moved higher even as economic growth failed to inspire. As investors became enamored with the prospect of QE II, we grew more cautious. It is not clear to us why slightly lower interest rates will cause the average consumer to flee from his/her newly frugal ways when already low rates are not having any such effect. Indeed, even as banks are becoming increasingly willing to lend, the demand for loans remains rather weak (Chart 9). This is the essence of a deleveraging economy – consumers are looking to reduce debt and get their personal balance sheets in order even when credit is amazingly cheap. If this is so, then the Fed's QE II efforts are likely to struggle to boost growth as the economy languishes in a liquidity trap. Businesses will also be hesitant to invest in an environment dominated by an anti-business administration, an absence of a credible policy to rein in the threatening national debt and a liquidity trap. As slow growth and continued high unemployment continue, investors who are now counting on the "Bernanke Put" to keep them from stock market losses may be disappointed. Moreover, there is a chance economic growth could not only remain slow but falter as government policymakers are running out of ways to stimulate the economy. Given our dim view of the prospects for QE II's success, rising risks in the global economy and elevated share prices, we are content to keep our hedges in place for now.

Chart 9

Liquidity Trap Awaits QE II

Demand for Loans Remains Low While Banks Are More Willing To Lend



Source: Fed, Merrill Lynch Global Quantitative Research

Table 3

2011 Global Growth Outlook

Developed World Growth Sluggish, Developing World Better

	GDP Growth	Share of GDP	Share of Growth
Global	**3.9%**	**100%**	**100%**
Developed	**1.8%**	**52%**	**24%**
US	1.8%	22%	10%
EU	1.7%	21%	10%
Japan	1.4%	6%	2%
Developing	**6.1%**	**48%**	**76%**
LatAm	3.8%	8%	8%
EMEA	4.0%	12%	12%
Asia	7.6%	28%	55%

Source: BofA Merrill Lynch Global Research

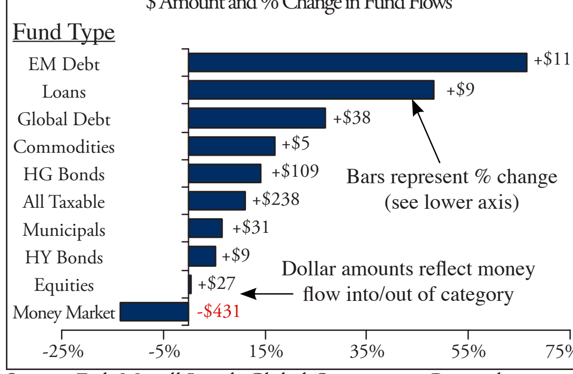
Slow growth should be a feature throughout the developed world in 2011 (Table 3). With the surprising strength in both the Euro and the Yen as the dollar weakens, these important economies could also be at risk in 2011. We would not be surprised at all to see Japan slip into a recession if it continues to be unable to weaken the value of the Yen. And Europe's economic woes could again move to the forefront as the Euro pushes its most indebted nations to the brink of insolvency with no way for these countries to adjust but through a very deep recession. In the developed world we see the risks as clearly on the downside in 2011. For the first time since the crisis began in 2008, it seems to us that the bills associated with rescuing the developed world's economies then are now coming due. Fortunately, the developing world is in much better economic shape. Nevertheless, if the developed world sneezes, the developing world may very well catch a cold as exports to the developed world remain a key component of economic growth for many of these countries.

Additionally, we remain concerned by the flood of money flowing into risky debt as investors search desperately for yield (Chart 10). This is a very dangerous situation that may well be a bubble which will soon burst. Undoubtedly, many investors will be shocked to find out how much money they can lose in longer term and lower quality bonds. Should confidence in government finances crumble, interest rates could jump suddenly and many who are now rushing into these speculative bonds will suffer severe losses. We continue to only hold short term, high quality bonds and money market funds even though yields on such investments are minimal. At least we are unlikely to lose money if interest rates rise while we will still benefit if deflation ensues.

Chart 10

Investors Flood Into Risky Bonds

$ Amount and % Change in Fund Flows



Source: Fed, Merrill Lynch Global Quantitative Research

We at Stewardship Partners continue to be grateful for the opportunity to serve your investment needs. Please do not hesitate to contact us if you have any questions or if we can be of assistance.

Biblically Responsible Investing (BRI)- Investing as Jesus Would

"Blessed are they that maintain justice, who constantly do what is right." Psalm 106:3 (NIV)

Stewardship Partners, founded in 2000, is a leader in the field of investing with a Christian perspective, a form of Socially Responsible Investing (SRI) known as Biblically Responsible Investing (BRI). Rusty Leonard, CFA, Stewardship Partners' founder and CEO, practiced this investment philosophy while managing over $3 billion of assets as a portfolio manager from 1989 to 2000 with the Templeton organization. He also had the privilege of working directly with the world-renowned global mutual fund manager, Sir John Templeton. By employing a BRI approach to investing, Stewardship Partners seeks to achieve long-term capital gains through ownership in securities of companies that are a blessing to mankind. Conversely, we seek to avoid profiting from owning companies engaged in sinful activities that bring physical and spiritual loss to our fellow man. Our heart's desire is to do no harm to our fellow man in the process of being the best possible guardians of the wealth the Lord has given us stewardship over. Simply put, a "what would Jesus do" approach to portfolio management is what we seek for our clients.

Below are just some of the issues of concern to Stewardship Partners and the specific sinful activities that fall into each category:

1. **We desire *justice and mercy for the defenseless* so we screen out companies involved in:**
   - Abortion
   - Life destroying or distorting scientific research
   - Human rights issues such as religious persecution, terrorism and political oppression

2. **We desire *justice and mercy for the poor* so we screen out companies involved in:**
   - Greed-based marketing techniques
   - Discrimination and unjust labor practices
   - Any abuses of the poor, children and/or the elderly

3. **We have *compassion for those addicted and/or engaged in sinful lifestyles* so we screen out companies involved in:**
   - Alcohol, Gambling and Tobacco
   - Pornography
   - Homosexuality (those companies deemed to be the most active supporters)

4. **We want to *protect marriage and the family* so we screen out companies involved in:**
   - Entertainment that seeks to destroy biblically-based attitudes
   - Efforts to promote lifestyles the Bible indicates are sinful

Additionally, we favor companies that clearly embrace:
- Honesty, Compassion, Diligence, Prudence and Creativity
- Support for quality products at fair prices and constructive stakeholder relations
- Support for a sustainable and healthy environment
- Support for charitable giving
- Support for the Jewish people and the state of Israel

Armed with this information, we are then prepared to make as strong an effort as possible to build investment portfolios which

reflect our client's biblically-based Christian worldview. We obtain the information on both the objectionable practices and the exemplary attributes of corporations from our affiliate The Biblically Responsible Investing Institute (www.BRIInstitute.com). We believe BRII gives Stewardship Partners the most comprehensive database of BRI information that currently exists.

It is our hope that, over time, we and other firms like ours may be able to gather enough assets under management to influence corporate behavior in a positive manner with biblical principles and wisdom. As things presently stand, a biblically-based Christian message is not being heard as effectively in the corporate marketplace as it should be since the amount of money dedicated to BRI, while growing rapidly, still falls far short of that in the typically more liberally-biased SRI funds.

For a more in depth study of the topic of Biblically Responsible Investing (BRI), please see our paper entitled ***"The Scriptural Basis for Biblically Responsible Investing."***

BRI in Action – Comparing Good and Bad Corporate Behavior

"Love must be sincere. Hate what is evil; cling to what is good." Romans 12:9 (NIV)

Below you will find an example of both a company that exhibits exemplary attributes, Noble Energy, and one we avoid, Viacom. We own Noble Energy in many Stewardship Partners portfolios while we actively avoid ownership in Viacom in order not to be co-owners in enterprises engaged in or supportive of activities which are harmful to our fellow man and our Lord's creation. **We believe, in the long run, both countries and companies that best align their activities with biblical principles will achieve the greatest success.**

The Good – Noble Energy – Helping Israel, Charity and Citizenship

"Instruct them to do good, to be rich in good works, to be generous." 1 Timothy 6:18a (NIV)

Noble Energy was founded in 1932 by Lloyd Noble. The company has a sizable portfolio of both crude and natural gas properties both in the United States and abroad. The value of the company's reserves now surpasses $12 billion. The projects the company is engaged in span the risk spectrum from low risk development efforts to longer term growth projects and a variety of higher risk but potentially high impact exploration opportunities. Importantly, the company has been able to maintain a strong balance sheet to fund its growth and allow it to take appropriate risks. In the US, the company has significant operations in the Rocky Mountain area and is also known as a skilled deepwater driller in the Gulf of Mexico. Noble has had great success in offshore projects outside the US as well. Over the last decade, the company has seen strong growth from developments in Ecuador, China, the UK and Equatorial Guinea. In 2009, the company located the biggest find in its history with the Tamar natural gas field offshore Israel. This is the first major discovery of a source of energy in Israel's history and will no doubt prove to be a cornerstone of the country's future financial success. It also greatly enhances Israel's long term energy security and thus its ability to withstand the pressures from its enemies. The field is expected to go into production in 2012 and should provide and attractive source of long term growth for the company.

Noble Energy's stated goal is to create superior returns relative to their peers. As the company seeks to accomplish this, it has acknowledged "we must be a preferred business partner, a responsible corporate citizen and the employer of choice for the industry's top talent. We conduct our business according to the following principles:

1.) Manage a portfolio of superior assets
2.) Execute a best in class exploration program
3.) Invest in people and technology
4.) Maintain investment and fiscal discipline
5.) Demonstrate leadership in environment, health, safety, compliance management and corporate citizenship"

With regard to the last item, the company has a separate board committee dedicated to just those issues. Additionally, the company maintains a comprehensive Code of Business and Ethics that every employee must read and sign.

Like most companies, Noble Energy highly prizes its employees. The Code of Business and Ethics spends considerable time addressing situations that the company seeks to avoid in dealing with its employees. The code lays out the company's commitment to equal opportunity for all employees and sets up policies to avoid harassment of employees as well as maintain a safe workplace, an issue that is particularly important for an oil and gas explorer. Noble Energy strives to achieve a team-oriented culture that rewards innovation and promotes an environment that is dedicated to learning and growth. The company invests in its staff in a variety of ways including mentoring efforts, instructor-led, self-paced e-learning, support for continued education and professional certification programs and encouraging participation in industry associations. Noble Energy also offers a wide assortment of employee benefits as part of its commitment to attracting and retaining the industry's top talent. In terms of insurance benefits, the company offers medical, dental, vision, basic and supplemental life, business travel accident, long term disability and long term care insurance. Flexible spending accounts that can be used for medical expenses or dependent care also feature in the company's benefit package. Noble Energy also provides 401(k) and profit sharing plans, educational assistance and aid to employees facing unique setbacks in their life.

Noble Energy's outreaches to the community it serves are noteworthy. In the United States, the company has supported programs to cure muscular dystrophy. It also provides financial and other support for a group called Medical Bridges which helps the poor in the developing nations with medical supplies and equipment. Overseas, the company has invested in financial and technical support for new and upgraded water, sewer, medical, recreational, educational, police and fire facilities in the country of Ecuador. In Equatorial Guinea, Noble Energy is participating in a $17 million program that has averted roughly 150,000 cases of malaria. It has also helped communities in Equatorial Guinea build schools and clean water systems.

Given its operations in the energy business, particularly in the Gulf of Mexico, environmental stewardship is an important element of Noble Energy's operations. Towards that end, the company has received the prestigious Mineral Management SAFE Award in both 2007 and 2008 for its exceptional results in its Gulf of Mexico drilling. They were awarded a similar award for protecting the environment in Colorado in 2008.

Noble Energy's good works are, of course, no guarantee of long-term investment success. As Biblically Responsible Investors, however, Noble Energy's charitable efforts, its work that benefits Israel and its impressive treatment of its own employees and the environment allows us to know we are shareholders in a company seeking to be a blessing to all. While no company, like no person, is perfect, this is clearly a company that strives to be a good citizen and one we can be proud to own!

The Bad – Viacom – Porn, Anti-Family Activity and Homosexuality

"Things that cause people to sin are bound to come, but woe to that person through who they come." Luke 17:1 (NIV)

Viacom is one of the largest entertainment companies in the world. It produces a wide variety of movies, Internet content and television programs for a variety of distribution platforms. It owns the MTV and VH1 channels, found on most cable TV services, and also produces motion pictures through Paramount and MTV Films. There can be no doubt about the heavy influence this company has on the youth of the world. Sadly, it all too often uses this influence to corrupt rather than bless.

In addition to advertising its products in a pornographic magazine, the company's programming on MTV and its others channels is all too often of questionable moral merit. Promiscuity, foul language, graphic sexual commentary and inappropriate attitudes about family relationships have all been prominently displayed in this company's work. The efforts of just this one company to undermine a Biblically-based approach to family and relationships are so extensive and effective that its impact in this regard may be greater than any other corporate entity.

Viacom also has been supportive of the homosexual agenda, and is classified as a "Most Active" promoter of homosexuality by BRII.

Excluding Viacom from our list of potential investments is not a difficult decision. As BRI investors seeking to please and honor our Lord, we naturally look elsewhere to achieve investment success as we do not want to be associated with a company using shareholder resources in a manner which have a negative impact on individuals and society in general.

Our Ultimate Goal - Funding the Lord's Work

"Therefore go and make disciples of all nations." Matthew 28:19a (NIV)

It is our hope that Stewardship Partners' ability to create an abundance for you will help you to share with those who are in need and assist in fulfilling the Great Commission. Our non-profit ministry affiliate, Wall Watchers, provides a free service to help you educate yourself about the many wonderful Christian giving opportunities available to wise donors. We invite you to join the thousands of visitors to our ministry's website at www.MinistryWatch.com, the Internet's top site for donors to Christian ministries. Should you desire to have someone show you how to best use this site, please contact Rod Pitzer at 866-364-9980 or rpitzer@wallwatchers.org. We would be pleased to be able to help you bless God's people who are in need. Please be sure to check out our 2009 list of our thirty Shining Light Ministry Award winners as well as our companion list of thirty ministries that are subject to a Donor Alert from MinistryWatch.com.

Featured Ministry – Children's Medical Ministries

"Whoever welcomes one of these little children in my name, welcomes me" Mark 9:37 (NIV)

Children's Medical Ministries (CMM) is a compassionate humanitarian service organization that has over 700 volunteer health care professionals committed to serving the indigent and oppressed children and their families in the National Capital/Baltimore areas, seven states, and in 30 overseas countries. They provide food, shelter, clothes, medicine, wheelchairs, and prosthesis and healthcare programs. CMM was founded by Bill and Erma Collins in 1988, as a nonprofit, nondenominational, all volunteer ministry predicated on the following concepts:

1.) The essence of compassion is helping others become self-reliant.
2.) When God opens a door, go through it.
3.) Every child has a right to know they are loved.
4.) It shouldn't hurt to be a child.

The ministry has produced a program called the "King's Kids Good Life Guide" which gives children and their parents information about basic hygiene and is accompanied by a coloring book that includes appropriate Bible verses and a health kit, which includes items like soap, washcloths, toothbrushes, toothpaste and a comb. This is all part of the ministry's Children's Health Education Program (CHEP). Once a child completes the four week CHEP course, they are eligible to participate in the ministry's vitamin distribution program. These efforts are taking place in eleven impoverished countries throughout the world.

Children's Medical Ministries is a small ministry that is having an impact that belies its size. Such faith based, volunteer powered ministries can yield impressive results. Clearly, many children are being taught important lessons as this ministry reaches out in Christian compassion to children of the world who have so little. Children's Medical Ministries is a 2009 MinistryWatch.com Shining Light Award winner and is worthy of consideration for your financial support.

The Christian Ministry Marketplace – Helping Donors Give Wisely

"A generous man will prosper, he who refreshes others will himself be refreshed." Proverbs 11:25 (NIV)

Much like the stock market provides for a sensible and efficient allocation of capital in our economy, the rise of a Christian Ministry Marketplace is providing donors with a myriad of helpful resources to maximize the impact and joy of giving to the work of the Lord. As donors begin to take their giving as seriously as their investing, they will find the assistance offered by the groups listed below to be invaluable. By utilizing these resources, donors are not only likely to make better personal giving decisions, but are also contributing to the growth in the marketplace itself. By so doing, they are helping to lay a foundation for wiser giving for all who follow in their footsteps. Accordingly, we encourage donors to investigate how these groups might help you to give more wisely, achieve a greater impact and create increased joy for both yourself and receivers of your gifts

The Christian Ministry Marketplace
Resources for Christian Donors

WHY
to give to Christian ministries?

Teaching on Stewardship:

- Crown (crown.org)
- Eternal Perspectives (epm.org)
- Generous Giving (generousgiving.org)
- Royal Treasure (royaltreasure.org)
- Sound Mind Investing (soundmindinvesting.com)
- The Gathering (thegathering.org)
- MaximumGenerosity.org (maximumgenerosity.org)

HOW
to give with a discerning mind?

Professional Advisors:

- Kingdom Advisors (kingdomadvisors.org)
- National Association of Christian Financial Consultants (nacfc.org)
- National Christian Foundation (nationalchristian.com)

Donor Advisors:

- Excellence in Giving (excellenceingiving.com)
- Calvin Edwards & Co. (CalvinEdwardsCompany.com)
- Kardia (http://www.kardiaplanning.com/)

WHERE
to invest in kingdom ministries?

Ministry Research:

- ECFA (ecfa.org)
- MinistryWatch.com (ministrywatch.com)
- Samaritan's Guide (acton.org/cec/guide/)

Ministry Mutual Funds:

- Nat'l Christian Fdn (nationalchristian.com)
- Strategic Resource Group (srginc.org)

Online Donation Services:

- Network For Good (networkforgood.com)

Featured Ministry Marketplace Participant - Stewardship Ministries

"You will be made rich in every way so that you can be generous." 2 Cor 9:11 (NIV)

Stewardship Ministries was founded by Jay Link as a means of taking his seemingly unlimited energy and abundant stewardship teaching resources to a variety of Christians who can benefit from them. Foremost among these are Christian financial advisors. Working in conjunction with Kingdom Advisors, Jay offers two levels of training for financial advisors seeking to improve their capacity to service high net worth clients. In the first eight hour session, Jay lays out the fundamentals of Biblically-based stewardship and the unique stewardship dilemmas wealthy Christians face. In the second level of training, Jay takes a deeper dive into what the Bible teaches us about stewardship, giving students over 40 hours of training on his well known Family Wealth Counseling approach. This session will also prepare the advisor to realign their practice in a manner that will enable them to best implement the Family Wealth Counseling process, something Jay has developed during his 30 years of working with wealthy families.

Jay also offers training for fund raising executives of Christian ministries. Many ministries struggle in their efforts to attract and/or retain major donors. Again calling on his extensive experience in dealing with high net worth Christians, Jay uses his "Bridging the Gap" seminars to help ministries learn how to change their paradigm of getting something from their major donors to giving them something significant.

Finally, Jay offers a one day "Transformers Forum" to pastors to help them clarify and broaden their understanding of stewardship as well as equip them to confidently teach it to their congregations.

Financial Advisors, Ministries and Pastors would all benefit by utilizing Stewardship Ministries' excellent training.

Knowing Jesus Christ as Your Lord and Savior

While most of those reading this will have already established a personal relationship with Jesus as their Lord and Savior, it is very likely that many have not. If you are someone who has not yet turned your life over to your Creator, we would have failed you miserably if we presented only information relating to your investments yet did not share with you the most important information of all: truths which have eternal significance for your soul and that will have an overwhelmingly positive impact on your life on this earth.

The gospel message is a simple one, far less complicated than the global impact of rising oil prices or the effect of a revaluation of the Chinese currency. For most people, the first part of it is easy to relate to – you are a sinner. If you are anything like the rest of us (and you are) more often than you probably would like to admit, you either do, say or think something that is clearly wrong and which you are ashamed of. “But what’s the big deal”, you might say. “If everyone has this problem with sin, can’t we all just accept the fact and try our best to get along?”

Well, on this earth, that is exactly what we try to do. We forgive one another’s faults and press on with life. From an eternal perspective, however, there remains a problem. Our Creator, who loves us with a love that can only be described as extravagant, has prepared an eternal home for us that He very much desires to share with us. Unfortunately, in our sinful state, we are unable to enter into heaven, which is by its very nature perfect. Desperate not to be separated from us for an eternity, our God devised the only possible solution – a divine exchange. He sent His very own son, who was perfect and thus without sin, as a sacrifice to pay the penalty for our sins. In this exchange, Jesus bore, through His death, all of our sins, so that we in turn could receive all the glory that was due to Him. He was made sinful while we were made perfect and, in our now perfect state, we are able to enter into the eternal home our Lord has prepared for us.

What then gives each of us access to participate in this divine exchange? By responding to this incredible demonstration of extravagant love by our God through an amazing act of your own. As you let the realization of just what your Lord has done for you filter through your heart, mind and soul, you will unavoidably desire to humbly come before Him, acknowledging that it was your sin that led to His sacrifice and recognize His Lordship in your life. And with this step of faith, the divine exchange is completed in your life, and along with it, the assurance of eternal life with a Lord whose love for you knows no bounds. If you have not done so already, we encourage you to take this time to contemplate the issue of your eternal destination and to take that step of faith that will make all the difference in your life, both now and eternally. Based on my experience and the experience of literally millions of others throughout history, it is the most satisfying, enriching and worthwhile choice you will ever make. Years of wonderfully inspiring spiritual growth await you and, if the Bible ever seemed confusing to you in the past, you will now find its wisdom leaping off the pages and into your heart.

If we at Stewardship Partners can be of any assistance to you in this all important matter of your eternal destiny, please do not hesitate to contact us. Like Jesus, we also greatly desire to share an eternal heavenly home with you!

STEWARDSHIP PARTNERS

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